

## INDUSTRY UPDATE

Michael O'Rielley, Australian Cotton Shippers Association

2020 for a lot of us is a year we would like to fast-forward and have over with. It has been a very challenging time for all in the industry with the smallest crop in 30+ years, continuing limited water supplies, COVID-19 and a cotton buying company placing themselves into Voluntary Administration.

Without doubt COVID-19 has had a catastrophic impact on the global textile industry. When the consumer is placed into lockdown, spending more time working from home, has their social life constrained and is concerned by a lack of job security they will significantly reduce their discretionary spending. Such a dramatic disruption to spending habits hits the clothing and manufacturing industry particularly severely. This virtual cliff-face drop in demand has repercussions all the way up the textile chain leaving no segment of our industry untouched.

On the export front, we as buyers and sellers of raw cotton have faced significant exposure to spinning mill orders being suspended or cancelled. Merchants trading Australian cotton are experiencing issues of building inventories as we accumulate cotton purchased from growers, often purchased forward at prices significantly above current market levels, and hold these stocks as we encourage our buyers to honour their commitments and/or find alternative placement for this cotton. This said, we remain confident that the apparel supply chain will recover and demand will resurface.

This is a pertinent time to remind ourselves that Australian cotton is, for the vast majority of mills, the fibre of choice, notwithstanding their current pricing concerns. Our fibre is consistently high quality, is free of contamination, has the quickest delivery times and is extremely reliable. There is always a buyer for Australian cotton and I cannot recall a time when a grower has not been able to sell his or her production, regardless of the quality.

A key objective of ACSA is to preserve the sanctity of contracts. It is this sanctity that underpins the robust trading platform that makes the Australian cotton industry vigorous and provides us with competitive marketing channels that all stakeholders can rely on.

Nowhere else in the cotton world or in the greater agricultural sector do you see the marketing options that are provided to Australian cotton growers. ACSA does not want to see freedom of choice and diversity of marketing options change. What we would like is the opportunity to explore potential risk management tools that might be available to growers and merchants to further safeguard themselves. ACSA looks forward to exploring opportunities with the wider industry to enhance the safe and robust trading platform for all.

Now more than ever we need to protect the value of Australian cotton. Another one of ACSA's objectives is to continue to promote and enhance the export of Australian raw cotton. Whilst this can be somewhat challenging when international travel is not possible now and for the foreseeable future, there are other ways this can be done. ACSA is in the planning stage of international focused webinars so that we can continue to promote Australian cotton in export markets. ACSA is also working with Australian Government departments in agri and trade sectors to determine how best to service and promote Australian cotton to key markets.

Regional visits from merchants are probably few and far between now as we all stay closer to home due to COVID-19 restrictions. Market updates delivered by webinar (go to <https://vimeo.com/444067901> if you didn't see what we have already released) are one such tool and we are working on more of these as a way to keep you informed about the market.

If you have suggestions for webinar topics and discussions please contact your merchant or the ACSA Secretariat on 0408 799 185 or [secretariat@austcottonshippers.com.au](mailto:secretariat@austcottonshippers.com.au).

With the 2021 season getting underway in the north, here's hoping for a much better year ahead and that the La Niña forecast has some substance – rain please only at the right times!

September 2020

Ends